
Edwin C. Farrall (Transport) Limited

Annual Report and Financial Statements

for the year ended 31 December 2022

Edwin C. Farrall (Transport) Limited

Company Information

Directors	M C Farrall M W Farrall (resigned 4 May 2023) E A Farrall K A Farrall M Farrall P Mather (appointed 14 January 2022)
Company secretary	K A Farrall
Registered number	01050645
Registered office	Second Avenue Deeside Industrial Park Deeside Wales CH5 2NX
Independent auditors	Hurst Accountants Limited Chartered Accountants & Statutory Auditors Lancashire Gate 21 Tiviot Dale Stockport SK1 1TD

Edwin C. Farrall (Transport) Limited

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Strategic Report
for the year ended 31 December 2022

Introduction

The directors present their strategic report of the Company for the year ended 31 December 2022.

Principal Activity

The principal activity of the Company in the period under review was that of the provision of contract distribution, general haulage and pallet network operations for a variety of industries. The customer base is made up primarily of industrial, retail and manufacturing businesses who supply UK and international markets.

Business review

We aim to present a balanced and comprehensive review of the development of the business during the year and its position at the year end. Our review is consistent with the size and complexity of the business and is written in the context of the risks and uncertainties we face.

The results for the year and financial position of the Company are as shown in the financial statements. We consider our key financial performance indicators and those that communicate financial performance and strength of the company as a whole are turnover and profit margin.

The Company has increased turnover by 19.4% to £14,876,505 and generated a gross profit for the year of £2,223,870. Gross profit margins have been increased during a period of increased sales to 14.9% (2021: 13.7%). Operating profit has also increased significantly, more than doubling to £830,402. After a number of very challenging years in the industry this trend continued. The invasion of Ukraine particularly provided an unstable economy and environment, meaning as an industry we had to continue to be reactive to the changes presented.

The largest initial impact of the invasion, which all in the haulage industry felt, was the instability of fuel price and availability. We were able to respond and manage these factors within our business with the pricing structures we already had in place but we still had to ensure we were competitive and able to work with and serve our customer base. Although we were able to respond to this challenge, it did take a lot of management time to assess and manage. The fact we were able to sustainably grow in these circumstances is a reflection of the team's commitment.

Cost increases throughout the business have been a key challenge which is continuing to be prevalent in 2023, alongside increases in Bank of England base rate which had an additional impact. We are managing costs to the best of our ability to try to limit the impact on our current customer base and trading results.

Although Covid-19 had a lesser impact on business trends than it had in the previous 2 years, as a business we were still adapting to new working practices to ensure the health and safety of all members of the Company, as well as our customers and the general public.

During 2022 we have focused on digitising our business, where we continued to invest in our technology and operational capabilities to drive productivity and offer a better client experience. Enhancing our digitalisation propositions this year has been particularly focused on improving our customer journey and remains a significant priority in 2023.

Strategic Report (continued)
for the year ended 31 December 2022

Principal risks and uncertainties

The Company faces the same risks and uncertainties as those associated with other companies operating in the transport and storage industry. The directors are content the business has a highly motivated and driven workforce. When faced with the same challenges confronted across the industry as similar operators, the business has adequate processes, strong management and skilled people to not only cope with the demands but exceed expectations.

Financial Risk Management and Objectives

The Company uses various financial instruments in order to raise finance for the Company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the Company's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks. These policies remain unchanged from previous years.

In order to further manage credit risk, the directors set specific credit limits on clients based on criteria including payment history, credit referencing and market intelligence. Credit limits are reviewed regularly.

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by the use of overdraft facilities.

Based on the circumstances presented above, the directors have a realistic expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors are confident we are commercially and financially in a very strong position to continue our development of the business and our strategic plans. Accordingly, the directors continue to adopt the going concern basis of accounting in preparing these financial statements.

Financial key performance indicators

The Company uses a number of key performance indicators in assessing and driving performance. The key financial and non-financial indicators used by the Company are sales, spend per head, gross margin, wages as a percentage of sales and customer feedback.

	2022	2021	Change
	£	£	£
Turnover	14,876,505	12,463,772	2,413,733
Gross profit	2,223,870	1,702,506	521,364
Wages as percentage of sales (%)	25.34%	26.7%	-1.36%

**Strategic Report (continued)
for the year ended 31 December 2022**

Future developments

After a few years of growth the team sees 2023 as a year of consolidation and site investment, the main aim is to achieve sustainable results. As with 2022, we are looking to continue building on the financial stability of the Company and to maintain growth in a sustainable structure.

Alongside continuing our implemented fleet renewal program, which will ensure persistent improvement of cost efficiencies with new and enhanced equipment, we will be sustainably increasing our fleet numbers to allow us to expand our customer profile.

Finally, we will be focusing on our core values as a family business and ensuring these are promoted to our workforce and customer base. The aim is to build upon a balanced business model which will allow us to grow financially for everyone connected with the business.

A transition to Net Zero is a key target being for the global economy and we are taking important actions to reduce our environmental impact. We have made good progress on our ambitions to achieve Net Zero and are working with our customers and suppliers to be able to attain these.

This report was approved by the board and signed on its behalf.

M Farrall
Director

K A Farrall
Director

Date: 26 September 2023

**Directors' Report
for the year ended 31 December 2022**

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £481,613 (2021: £227,491).

Dividends of £172,830 (2021: £162,525) were paid during the year. The directors do not recommend a final dividend.

Directors

The directors who served during the year were:

M C Farrall
M W Farrall (resigned 4 May 2023)
E A Farrall
K A Farrall
M Farrall
P Mather (appointed 14 January 2022)

Future developments

Future developments have been disclosed in the Strategic Report.

Edwin C. Farrall (Transport) Limited

**Directors' Report (continued)
for the year ended 31 December 2022**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

The auditors, Hurst Accountants Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

M Farrall
Director

K A Farrall
Director

Date: 26 September 2023

Independent Auditors' Report to the Members of Edwin C. Farrall (Transport) Limited

Opinion

We have audited the financial statements of Edwin C. Farrall (Transport) Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditors' Report to the Members of Edwin C. Farrall (Transport) Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report to the Members of Edwin C. Farrall (Transport) Limited (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Identifying and assessing potential risks related to irregularities

In identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- The nature of the industry and sector in which the company operates; the control environment and business performance including key drivers for directors' remuneration, bonus levels and performance targets.
- The outcome of enquiries of local management and parent company management, including whether management was aware of any instances of non-compliance with laws and regulations, and whether management had knowledge of any actual, suspected, or alleged fraud.
- Supporting documentation relating to the Company's policies and procedures for:
 - Identifying, evaluating, and complying with laws and regulations
 - Detecting and responding to the risks of fraud
- The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- The outcome of discussions amongst the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.
- The legal and regulatory framework in which the Company operates, particularly those laws and regulations which have a direct effect on the financial statements, such as the Companies Act 2006, pensions and tax legislation, or which had a fundamental effect on the operations of the Company, including General Data Protection requirements, and Anti-bribery and Corruption.

Audit response to risks identified

Our procedures to respond to the risks identified included the following:

- Reviewing the financial statements disclosures and testing to supporting documentation to assess compliance with the provisions of those relevant laws and regulations which have a direct effect on the financial statements.
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities.
- Enquiring of management about any actual and potential litigation and claims.
- Performing analytical procedures to identify any unusual or unexpected relationships which may indicate risks of material misstatement due to fraud.
- Carrying out substantive testing to ensure that drivers are not in breach of Goods Vehicle (Licensing of Operators) Act and the Vehicle Drivers Regulations and holding conversations with management to ensure that this is adequately monitored.

Independent Auditors' Report to the Members of Edwin C. Farrall (Transport) Limited (continued)

We have also considered the risk of fraud through management override of controls by:

- Testing the appropriateness of journal entries and other adjustments. We have used data analytics software to identify accounting transactions which may pose a heightened risk of material misstatement, whether due to fraud or error.
- Challenging assumptions made by management in their significant accounting estimates, and assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above, and the further removed non-compliance with laws and regulations are from the events and transactions reflected in the financial statements, the less likely we would become aware of them. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Besant-Roberts (senior statutory auditor)
for and on behalf of

Hurst Accountants Limited

Chartered Accountants

Statutory Auditors

Lancashire Gate

21 Tiviot Dale

Stockport

SK1 1TD

26 September 2023

Edwin C. Farrall (Transport) Limited

Statement of Comprehensive Income
for the year ended 31 December 2022

	Note	2022 £	2021 £
Turnover	4	14,876,505	12,463,772
Cost of sales		(12,652,635)	(10,761,266)
Gross profit		2,223,870	1,702,506
Administrative expenses		(2,344,254)	(1,968,627)
Other operating income	5	950,786	607,318
Operating profit	6	830,402	341,197
Interest payable and similar expenses	10	(77,438)	(78,364)
Profit before tax		752,964	262,833
Tax on profit	11	(271,351)	(35,342)
Profit for the financial year		481,613	227,491

There was no other comprehensive income for 2022 (2021:£Nil.).

The notes on pages 13 to 30 form part of these financial statements.

Edwin C. Farrall (Transport) Limited
Registered number: 01050645

Balance Sheet
as at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	13	5,019,518	4,134,592
Investments	14	1	1
		<u>5,019,519</u>	<u>4,134,593</u>
Current assets			
Stocks	15	151,842	97,169
Debtors: amounts falling due within one year	16	4,036,863	3,343,185
Cash at bank and in hand	17	283,748	64,148
		<u>4,472,453</u>	<u>3,504,502</u>
Creditors: amounts falling due within one year	18	(4,365,841)	(3,488,513)
Net current assets		<u>106,612</u>	<u>15,989</u>
Total assets less current liabilities		<u>5,126,131</u>	<u>4,150,582</u>
Creditors: amounts falling due after more than one year	19	(2,179,537)	(1,784,122)
Provisions for liabilities			
Deferred Taxation	22	(643,145)	(371,794)
Net assets		<u>2,303,449</u>	<u>1,994,666</u>
Capital and reserves			
Called up share capital	23	20,000	20,000
Revaluation reserve	24	681,845	681,845
Profit and loss account	24	1,601,604	1,292,821
		<u>2,303,449</u>	<u>1,994,666</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

M Farrall
Director

K A Farrall
Director

Date: 26 September 2023

The notes on pages 13 to 30 form part of these financial statements.

Edwin C. Farrall (Transport) Limited

Statement of Changes in Equity
for the year ended 31 December 2022

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2022	20,000	681,845	1,292,821	1,994,666
Comprehensive income for the year				
Profit for the year	-	-	481,613	481,613
Total comprehensive income for the year	-	-	481,613	481,613
Dividends: Equity capital	-	-	(172,830)	(172,830)
Total transactions with owners	-	-	(172,830)	(172,830)
At 31 December 2022	20,000	681,845	1,601,604	2,303,449

Statement of Changes in Equity
for the year ended 31 December 2021

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2021	20,000	681,845	1,227,855	1,929,700
Comprehensive income for the year				
Profit for the year	-	-	227,491	227,491
Total comprehensive income for the year	-	-	227,491	227,491
Dividends: Equity capital	-	-	(162,525)	(162,525)
Total transactions with owners	-	-	(162,525)	(162,525)
At 31 December 2021	20,000	681,845	1,292,821	1,994,666

The notes on pages 13 to 30 form part of these financial statements.

Notes to the Financial Statements
for the year ended 31 December 2022

1. General information

Edwin C. Farrall (Transport) Limited is a private company limited by shares and incorporated in England and Wales. The address of the registered office and principal place of business is Second Avenue, Deeside Industrial Park, Deeside, Wales, CH5 2NX. The company's registered number is 01050645.

The principal activity of the company was that of the provision of contract distribution, general haulage and pallet network operations for a variety of industries.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirement of Section 7 Statement of Cash Flows
- the requirement of Section 3 Financial Statement Presentation paragraph 3.17 (d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7 (key management compensation).

This information is included in the consolidated financial statements of Farralls Transport (Properties) Limited as at 31 December 2022 and these financial statements can be obtained from Companies House.

Notes to the Financial Statements
for the year ended 31 December 2022

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Operating leases: the Company as lessor

Rental income from operating leases is credited to profit or loss on a straight line basis over the lease term.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Notes to the Financial Statements
for the year ended 31 December 2022

2. Accounting policies (continued)

2.6 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.7 Government grants

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.8 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Notes to the Financial Statements
for the year ended 31 December 2022

2. Accounting policies (continued)

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Land and buildings	- 2% straight line
Leasehold improvements	- 5% straight line
Plant and machinery	- 25% reducing balance and 10% straight line
Commercial vehicles	- 20% reducing balance
Computer equipment	- 25% reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Income and Retained Earnings.

Notes to the Financial Statements
for the year ended 31 December 2022

2. Accounting policies (continued)

2.12 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.13 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.14 Valuation of investments

Investments in shares are measured at cost less accumulated impairment.

2.15 Associates and joint ventures

Associates and Joint Ventures are held at cost less impairment.

2.16 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.17 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Notes to the Financial Statements
for the year ended 31 December 2022

2. Accounting policies (continued)

2.18 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.19 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.21 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of

Notes to the Financial Statements
for the year ended 31 December 2022

2. Accounting policies (continued)

2.21 Financial instruments (continued)

the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

2.22 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Provision for impairment loss on trade debtors

Management exercises judgement in providing for impairment losses on trade debtors. At the year end, trade debtors totalled £2,156,712 (2021: £1,789,174).

Other estimates and judgements

Management also exercises judgement in estimating the useful life of tangible fixed assets. At the year end, the net book value of fixed assets totalled £5,019,518 (2021: £4,134,592).

4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
General haulage and warehousing	14,646,702	12,237,768
Electrical repairs	229,803	226,004
	<u>14,876,505</u>	<u>12,463,772</u>

All turnover arose within the United Kingdom.

Edwin C. Farrall (Transport) Limited

Notes to the Financial Statements
for the year ended 31 December 2022

5. Other operating income

	2022 £	2021 £
Net rents receivable	373,685	333,660
Government grants receivable	-	10,351
Management charges receivable	577,101	263,307
	<u>950,786</u>	<u>607,318</u>

6. Operating profit

The operating profit is stated after charging/(crediting):

	2022 £	2021 £
Depreciation of tangible fixed assets	741,316	733,419
Loss/(profit) on disposal of fixed assets	(3,855)	(18,259)
Operating lease rentals	<u>850,925</u>	<u>504,163</u>

7. Auditors' remuneration

	2022 £	2021 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	<u>17,000</u>	<u>15,400</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated accounts of the parent Company.

Edwin C. Farrall (Transport) Limited

Notes to the Financial Statements
for the year ended 31 December 2022

8. Employees

	2022	2021
	£	£
Wages and salaries	3,317,830	2,985,789
Social security costs	347,493	261,343
Cost of defined contribution scheme	104,874	81,140
	<u>3,770,197</u>	<u>3,328,272</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2022	2021
	No.	No.
Drivers	69	74
Administration	27	15
Warehouse	5	3
Technicians	4	3
Management	5	6
Directors	6	5
	<u>116</u>	<u>106</u>

9. Directors' remuneration

	2022	2021
	£	£
Directors' emoluments	68,136	9,859
Company contributions to defined contribution pension schemes	1,749	-
	<u>69,885</u>	<u>9,859</u>

During the year retirement benefits were accruing to 3 directors (2021 -2) in respect of defined contribution pension schemes.

Additional directors' remuneration (including contributions to defined contribution pension schemes) is paid by Farralls Transport (Properties) Limited and recharged to Edwin C. Farrall (Transport) Limited by way of a management charge. During the year, directors' remuneration of £206,672 (2021: £151,068) was recharged.

Inclusive of the above recharge, the highest paid director received remuneration of £ 86,096 (2021: £ 65,128).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £2,543 (2021 -£1,920).

Edwin C. Farrall (Transport) Limited

Notes to the Financial Statements
for the year ended 31 December 2022

10. Interest payable and similar expenses

	2022	2021
	£	£
Bank interest payable	15,020	7,916
Finance leases and hire purchase contracts	49,748	63,595
Other interest payable	12,670	6,853
	<u>77,438</u>	<u>78,364</u>

11. Taxation

	2022	2021
	£	£
Corporation tax		
Current tax on profits for the year	-	(22,960)
Adjustments in respect of previous periods	-	(19,108)
Total current tax	-	(42,068)
Deferred tax		
Origination and reversal of timing differences	271,351	77,410
Total deferred tax	271,351	77,410
Taxation on profit on ordinary activities	<u>271,351</u>	<u>35,342</u>

Notes to the Financial Statements
for the year ended 31 December 2022

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 -lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	<u>752,964</u>	<u>262,833</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 -19%)	143,063	49,938
Effects of:		
Expenses not deductible for tax purposes	4,873	3,488
Adjustments to tax charge in respect of prior periods	-	(19,108)
Short term timing difference leading to an increase (decrease) in taxation	13,081	10,973
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	-	(22,960)
Ineligible depreciation	3,948	3,869
Changes in rates leading to an increase (decrease) in the tax charge	154,355	-
Super deduction pool adjustment	(81,016)	(26,511)
Group relief	33,047	35,653
Total tax charge for the year	<u>271,351</u>	<u>35,342</u>

Factors that may affect future tax charges

The main rate of corporation tax has increased to 25% in the tax year commencing 1 April 2023 for companies where profits exceed £250,000. A tapered rate will be introduced for profits above £50,000 up to £250,000 limit.

12. Dividends

	2022 £	2021 £
Ordinary shares	<u>172,830</u>	<u>162,525</u>

Notes to the Financial Statements
for the year ended 31 December 2022

13. Tangible fixed assets

	Freehold property £	Long-term leasehold property £	Plant and machinery £	Commercial vehicles £	Computer equipment £	Total £
Cost or valuation						
At 1 January 2022	882,921	99,489	1,538,346	6,886,922	67,060	9,474,738
Additions	-	14,140	110,345	1,644,577	56,924	1,825,986
Disposals	-	-	(125,966)	(1,373,707)	-	(1,499,673)
At 31 December 2022	<u>882,921</u>	<u>113,629</u>	<u>1,522,725</u>	<u>7,157,792</u>	<u>123,984</u>	<u>9,801,051</u>
Depreciation						
At 1 January 2022	41,717	47,559	1,069,098	4,156,046	25,726	5,340,146
Charge for the year	10,279	6,242	88,770	616,938	19,087	741,316
Disposals	-	-	(123,091)	(1,176,838)	-	(1,299,929)
At 31 December 2022	<u>51,996</u>	<u>53,801</u>	<u>1,034,777</u>	<u>3,596,146</u>	<u>44,813</u>	<u>4,781,533</u>
Net book value						
At 31 December 2022	<u>830,925</u>	<u>59,828</u>	<u>487,948</u>	<u>3,561,646</u>	<u>79,171</u>	<u>5,019,518</u>
<i>At 31 December 2021</i>	<u>841,204</u>	<u>51,930</u>	<u>469,248</u>	<u>2,730,876</u>	<u>41,334</u>	<u>4,134,592</u>

Included in cost or valuation of land and buildings is freehold land of £310,000 (2021: £310,000) which is not depreciated.

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2022 £	2021 £
Plant and machinery	201,201	237,574
Commercial vehicles	3,149,095	2,327,570
	<u>3,350,296</u>	<u>2,565,144</u>

Notes to the Financial Statements
for the year ended 31 December 2022

13. Tangible fixed assets (continued)

If freehold land and buildings had not been revalued they would have been included at the following:

	2022 £	2021 £
Cost	506,669	506,669
Accumulated depreciation	(333,912)	(323,779)
Net book value	172,757	182,890

Freehold land and buildings were valued on an open market for existing use basis on 18 March 2021 by Avison Young in accordance with the RICS Valuation - Global Standards effective from 31 January 2020 and are stated at these values at the year end. The directors believe there has not been a material change in the value of these assets between the year end and the valuation date.

14. Fixed asset investments

	Investment in joint ventures £
Cost	
At 1 January 2022	1
At 31 December 2022	1
Net book value	
At 31 December 2022	1
<i>At 31 December 2021</i>	<i>1</i>

15. Stocks

	2022 £	2021 £
Raw materials and consumables	140,168	79,214
Finished goods and goods for resale	11,674	17,955
	151,842	97,169

No impairment loss was recognised in cost of sales against stock during the current year or prior year.

Notes to the Financial Statements
for the year ended 31 December 2022

16. Debtors

	2022 £	2021 £
Trade debtors	2,156,712	1,789,174
Amounts owed by group undertakings	931,971	858,598
Amounts owed by joint ventures	438,637	321,283
Other debtors	36,428	77,613
Prepayments and accrued income	473,115	296,517
	<u>4,036,863</u>	<u>3,343,185</u>

No impairment gain or loss (2021: £nil) was recognised against trade debtors in the year.

17. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	<u>283,748</u>	<u>64,148</u>

18. Creditors: Amounts falling due within one year

	2022 £	2021 £
Other loans	200,000	200,000
Trade creditors	1,548,913	1,013,948
Other taxation and social security	255,756	319,996
Obligations under finance lease and hire purchase contracts	946,113	659,030
Proceeds of factored debts	1,132,652	1,077,270
Other creditors	954	1,888
Accruals and deferred income	281,453	216,381
	<u>4,365,841</u>	<u>3,488,513</u>

Other loans are two separate loans of £100,000, both with an interest rate of 5% per annum. Other loans are unsecured and repayable in full on 31 March 2023.

Hire purchase contracts are secured on the assets to which they relate.

Proceeds of factored debts are secured on the book debts to which they relate.

Edwin C. Farrall (Transport) Limited

Notes to the Financial Statements
for the year ended 31 December 2022

19. Creditors: Amounts falling due after more than one year

	2022	2021
	£	£
Net obligations under finance leases and hire purchase contracts	<u>2,179,537</u>	<u>1,784,122</u>

Hire purchase contracts are secured on the assets to which they relate.

The aggregate amount of liabilities repayable wholly or in part more than five years after the balance sheet date is:

	2022	2021
	£	£
Repayable by instalments	<u>-</u>	<u>46,446</u>

The repayments are in respect of a number of hire purchase agreements, which are repayable on a monthly basis with interest rates ranging from 2% to 4%.

20. Loans

Analysis of the maturity of loans is given below:

	2022	2021
	£	£
Amounts falling due within one year		
Other loans	<u>200,000</u>	<u>200,000</u>

Other loans are two separate loans of £100,000, both with an interest rate of 5% per annum. Other loans are unsecured and repayable in full on 31 March 2023.

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2022	2021
	£	£
Within one year	1,066,056	713,434
Between 1-5 years	2,499,514	1,894,632
Over 5 years	-	46,446
	<u>3,565,570</u>	<u>2,654,512</u>

Edwin C. Farrall (Transport) Limited

Notes to the Financial Statements
for the year ended 31 December 2022

22. Deferred taxation

	2022 £	2021 £
At beginning of year	(371,794)	(294,384)
Charged to profit or loss	(271,351)	(77,410)
At end of year	(643,145)	(371,794)

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	(822,553)	(406,448)
Other timing differences	179,408	34,654
	(643,145)	(371,794)

23. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
20,000 (2021 -20,000) Ordinary shares of £1.00 each	20,000	20,000

24. Reserves

Revaluation reserve

The revaluation reserve includes all revaluation surpluses and deficits on the revaluation of property, plant and equipment.

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

25. Contingent liabilities

There is an inter-company composite bank guarantee between Farralls Transport (Properties) Limited and Edwin C. Farrall (Transport) Limited. At the year end Farralls Transport (Properties) Limited had bank borrowings totalling £2,802,797 (2021: £2,965,048).

Notes to the Financial Statements
for the year ended 31 December 2022

26. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £104,874 (2021: £81,149). Contributions totalling £nil (2021: £nil) were payable to the fund at the balance sheet date.

27. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Land and buildings		
Not later than 1 year	17,500	114,324
Later than 1 year and not later than 5 years	21,875	295,337
	<u>39,375</u>	<u>409,661</u>
	2022 £	2021 £
Other		
Not later than 1 year	351,696	309,784
Later than 1 year and not later than 5 years	325,130	535,242
	<u>676,826</u>	<u>845,026</u>

28. Operating lease receivables

At 31 December 2022, the Company had future minimum lease receivables under non-cancellable operating leases as follows:

	2022 £	2021 £
Land and buildings		
Not later than 1 year	393,425	189,125
Later than 1 year and not later than 5 years	350,523	488,573
Later than 5 years	-	-
	<u>743,948</u>	<u>677,698</u>

Notes to the Financial Statements
for the year ended 31 December 2022

29. Related party transactions

Edwin C Farrall (Transport) Limited owns 50% of the shares in a joint venture. During the year, net sales of £1,940,924 (2021: £1,815,215) were made to the joint venture by the Company. Management charges of £483,294 (2021: £204,124) were received from the joint venture. At the year end, the total balance owed by the joint venture was £438,637 (2021: £321,283).

Another company owns the remaining 50% of the shares in the joint venture. During the year sales of £7,964 (2021: £18,699) were made to the other owner of the joint venture by the Company. The Company also purchased goods and services from the other joint venture company to the value of £3,530 (2021: £3,881). At 31 December 2022, the balance owed to the Company by the other joint venture company amounted to £Nil (2021: £5,821).

During the year, key management personnel compensation of £135,917 (2021: £163,867) was paid.

30. Controlling party

Edwin C Farrall (Transport) Limited is a wholly owned subsidiary of Farralls Transport (Properties) Limited, company number 09045535, incorporated in England and Wales.

The consolidated financial statements of this group are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Maundy, Cardiff, CF4 3UZ.

As at 31 December 2022, the company was under the ultimate control of M C Farrall, M W Farrall and Mrs E A Farrall, who owned equal shares in Farralls Transport (Properties) Limited. Since 4 May 2023, the company is under the ultimate control of M C Farrall and Mrs E A Farrall, who now own equal ordinary shares in Farralls Transport (Properties) Limited.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.